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| Meeting Date: March 14, 2018 | Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111 FINANCE COMMITTEE MEETING MINUTES | Page 1 of 5 |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|

Committee Members Present:

David Hoppes, Committee Chair, Commissioner
Mike Jacob, Vice President-General Counsel, Pacific Merchant Shipping Association (PMSA)
Captain Einar Nyborg, Commissioner
Ray Paetzold, Business Director-General Counsel, San Francisco Bar Pilots (SFBP)

Committee Members Absent:

None

Staff Present

Allen Garfinkle, Executive Director
Roma Cristia-Plant, Assistant Director
Luis Cruz, Associate Governmental Program Analyst

Public Present

None.

OPEN METING

1. Call to Order and Roll Call. (Chairman Hoppes)

Chairman Hoppes called the meeting to order at 9:32 a.m. Associate Governmental Program Analyst Cruz called the roll and confirmed a quorum.

2. Approval of the minutes from the Committee meeting held on December 5, 2017. (Chairman Hoppes)

Committee members were presented with the draft minutes from the Committee meeting held on December 5, 2017. There were no edits or further discussion.

MOTION: Mr. Paetzold moved to approve the minutes from the meeting held on December 5, 2017. Mr. Jacob seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None.

ACTION: The motion was approved.

3. Review Board fund condition, revenue and expenditure projections and monthly data for all pilotage fees and vessel moves and their effect on:

Assistant Director Cristia-Plant provided a thorough review of the following for the Committee:

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|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Meeting Date: March 14, 2018 | Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111 FINANCE COMMITTEE MEETING MINUTES | Page 2 of 5 |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|

- The Board's fiscal year-to-date statement of fund condition and forecast assumptions as of January 31, 2018, including the current fiscal year budget, projected revenues and expenditures, and contract encumbrances for the Board Operations, Pilot Continuing Education and Pilot Trainee Training funds.
- The historical and projected data for the Board Operations, the Continuing Education, and Trainee Training Surcharges.

Assistant Director Cristia-Plant explained for Mr. Jacob that charges for legal services from the Department of Justice (DOJ) are recorded as consulting expenditures. Mr. Jacob requested that DOJ charges be itemized.

The Committee briefly discussed the Pilot Trainee Training Program monthly stipend amount, and how the amount potentially impacts attracting qualified mariners to apply for the trainee program selection examinations. Commissioner Nyborg discussed the burdens most trainees and their families face upon entering the training program, including experiencing a loss of good paying careers, and sometimes the loss of employer-provided insurances.

Mr. Paetzold and Executive Director Garfinkle briefly explained to Chairman Hoppes how surcharges are billed, highlighting various vessel movement scenarios. Chairman Hoppes stated he was interested in seeing the effect on the shipping industry as surcharges are adjusted, noting his concern of cost competitiveness. He stated that he would work with staff on this issue.

- a) Review Board Operations Surcharge rate (currently at 3.0%), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Board Operations Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**

The Committee reviewed and discussed the Board Operations Surcharge and determined it should remain at the current rate.

MOTION: Mr. Jacob moved that the Committee recommend to the Board to maintain the Board Operations Surcharge rate at 3% of all pilotage fees. Mr. Paetzold seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None.

ACTION: The motion was approved.

- b) Review Pilot Continuing Education Surcharge rate (currently at \$5/move), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Pilot Continuing Education Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**

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|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Meeting Date: March 14, 2018 | Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111 FINANCE COMMITTEE MEETING MINUTES | Page 3 of 5 |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|

The Committee reviewed and discussed the Pilot Continuing Education Surcharge and determined it should remain at the current rate.

MOTION: Mr. Jacob moved that the Committee recommend to the Board to maintain the Pilot Continuing Education Surcharge rate at \$5/move. Mr. Paetzold seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None.

ACTION: The motion was approved.

c) Review Trainee Training Surcharge rate (currently at \$20/trainee/move), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Trainee Training Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)

The Committee reviewed and discussed the Trainee Training Surcharge rate and determined it should remain at the current rate.

MOTION: Mr. Jacob moved that the Committee recommend to the Board to maintain the Trainee Training Surcharge rate at \$20/trainee/move, and to direct Board staff to produce a sensitivity analysis of potential increases in the Trainee Training Surcharge rate and the impacts to the fund balance. Mr. Paetzold seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None.

ACTION: The motion was approved.

4. Review of Navigation Technology Surcharge rate (currently at \$40/move), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Navigation Technology Surcharge rate, if warranted. (Ray Paetzold, San Francisco Bar Pilots Business Manager—General Counsel)

Mr. Paetzold reported the following:

- The Navigation Technology Surcharge rate became effective July 1, 2017, and was set by the Board at \$40/move.
- The amount billed under the Navigation Technology Surcharge from July 1, 2017, through March 13, 2018 was \$231,880.
- The amount of the Navigation Technology Surcharge funds used to reimburse the SFBP for the line of credit interest payments and loans fees through March 13, 2018, was \$34,147.68.
- The Navigation Technology reserve balance held in a money market account was \$198,732.32 as of March, 13, 2018.

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|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Meeting Date: March 14, 2018 | Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111 FINANCE COMMITTEE MEETING MINUTES | Page 4 of 5 |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|

- Going forward, the SFBP projects to collect approximately \$28,000/month based upon \$40/month and an average of 700 moves/month.
- The SFBP projects total future expenditures of Navigation Technology Surcharge funds through April 2018 of approximately \$100,000 (without paying down principal on the line of credit, which is not expected to become a long term loan until July 1, 2018) as follows:
 - Approximately \$3,000/month line of credit interest expenses
 - Approximately \$28,000 for 56 new Rosepoint software licenses, which includes annual technical support and available software upgrades.
 - Approximately \$23,500 for annual license fees for the precision docking equipment software due in March 2018, which amount may vary due to fluctuations in the Euro rate.
 - Approximately \$44,000 for California Use Tax owed on the purchase of the Trelleborg hardware, due April 2018.

He recommended to the Committee that the Navigation Technology Surcharge rate remain unchanged at \$40/move. He also stated that the SFBP intends to seek authorization at the next Committee meeting to use Navigation Technology Surcharge monies to reimburse itself for actual expenditures that are incurred between now and the next Committee meeting.

Mr. Paetzold explained the California Use Tax that that is owed on the Trelleborg equipment in response to a question from Commissioner Nyborg. Mr. Jacob commented that there may also be sufficient funds for approximately a \$50,000 pay down in the line of credit used to purchase the navigation technology before the line is converted to a long term loan. Mr. Patezold also confirmed for Commissioner Hoppes that the SFBP will be responsible for annual software license fees after the Navigation Technology Surcharge sunsets in four years. There was no further discussion by the Committee members.

MOTION: Mr. Jacob moved that the Committee recommend to the Board that it maintain the Navigation Technology rate at \$40/move. Mr. Paetzold seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None.

ACTION: The motion was approved.

5. Public comment on matters not on the agenda.

There were no members from the public present.

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|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Meeting Date: March 14, 2018 | Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111 FINANCE COMMITTEE MEETING MINUTES | Page 5 of 5 |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|

6. Schedule the next Committee meeting, and proposals for the next Committee meeting agenda.

The Committee agreed to work with Board Staff to schedule the next Committee meeting in June 2018.

Chairman Hoppes requested a presentation of the SFBP audited financial statements to be on the next Committee agenda, and there was also a request to discuss the State Controller's pilotage rate and surcharge rate audit at the next meeting if it is available.

7. Adjournment.

There was no further discussion by the Committee.

MOTION: Chairman Hoppes moved to adjourn the meeting. Mr. Paetzold seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None.

ACTION: The motion was approved and the meeting adjourned at 10:54 a.m.

Submitted by:



Allen Garfinkle, Executive Director